

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Spring Lake Township	County Ottawa
Fiscal Year End March 31, 2007	Opinion Date August 31, 2007	Date Audit Report Submitted to State October 10, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☒ ☐ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	SAS 112 Letter on Internal Controls	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Norman & Paulsen, P.C.		Telephone Number 269-651-3228	
Street Address 127 W. Chicago Road		City Sturgis	State MI
Authorized CPA Signature 		Printed Name Michael R. Wilson CPA	License Number 1101017570

**TOWNSHIP OF SPRING LAKE, MICHIGAN
OTTAWA COUNTY**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

March 31, 2007

TOWNSHIP OF SPRING LAKE, MICHIGAN

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TOWNSHIP OF SPRING LAKE, MICHIGAN

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Norman & Paulsen, P.C.

Certified Public Accountants

127 W. Chicago Road
Sturgis, MI 49091
269.651.3228
Fax 269.651.5146
E-mail
normanpaulsen@charter.net

Other Location:
123 N. Main Street
Three Rivers, MI 49093
269.273.8641
Fax 269.278.8252
E-mail
npnr@npaccounting.com

Donald L. Paulsen, CPA
Patrick J. Monahan, CPA
Bruce S. A. Gosling, CPA
Michael R. Wilson, CPA
Rick L. Strawser, CPA
Jerrel T. Norman (1941-1982)

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Township of Spring Lake, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Spring Lake, Michigan, as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Spring Lake management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Spring Lake, Michigan, as of March 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Spring Lake basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

August 31, 2007

Norman & Paulsen, P.C.

TOWNSHIP OF SPRING LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Township of Spring Lake financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2007. Please read it in conjunction with the Township's financial statements.

Financial Highlights

The Township's overall financial position increased by \$467,060 during the fiscal year ended March 31, 2007, which represents 3 percent of the net asset position at the beginning of the year. Included in the Township's total net assets of \$18,456,541 are the Sewage Disposal System Fund net assets of \$7,277,065 and the Water Supply System Fund net assets of \$5,403,629. The Sewage Disposal System's net assets decreased by \$223,700 and the Water Supply System's net assets decreased by \$73,951.

The Township's Governmental Funds reflected a total fund balance at March 31, 2007 of \$2,065,631, which was a decrease of \$796,390 from the prior year end. Included in this decrease was the Bike Path Capital Projects Fund which reflected a decrease in fund balance of \$1,127,530. The Township's General Fund reflected an increase in fund balance of \$265,751.

The total Governmental Fund expenditures for the year ended March 31, 2007, amounted to \$4,091,321, of which \$874,595 (21 percent) was for general government; \$1,640,135 (40 percent) was for capital outlay; and \$651,548 (16 percent) was for public safety.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The Fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

TOWNSHIP OF SPRING LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Township as a Whole

The following table shows, in a condensed format, the net assets as of the current year end and compared to the prior year end under the modified accrual basis of accounting:

(dollars presented in thousands)				
	Governmental Funds		Enterprise Funds	
	2007	2006	2007	2006
Assets	\$ 2,217	\$ 3,021	\$ 17,130	\$ 17,891
Liabilities	151	159	4,449	4,913
Fund Equity				
Invested in capital assets, net of related debt	-	-	8,370	8,267
Retained Earnings				
Restricted	-	-	-	-
Unreserved	-	-	4,311	4,711
Fund Balances				
Reserved	894	1,931	-	-
Unreserved	1,172	931	-	-
Total Fund Equity	<u>\$ 2,066</u>	<u>\$ 2,862</u>	<u>\$ 12,681</u>	<u>\$ 12,978</u>

TOWNSHIP OF SPRING LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows, in a condensed format, the net assets of the current year end as compared to the prior year end as required by GASB 34 stated under the full accrual basis.

(dollars presented in thousands)

	Governmental Activities		Business-Type Activities	
	2007	2006	2007	2006
Current and other assets	\$ 2,217	\$ 3,021	\$ 4,495	\$ 5,287
Capital assets	<u>5,440</u>	<u>4,091</u>	<u>12,635</u>	<u>12,604</u>
Total assets	7,657	7,112	17,130	17,891
Long-term debt outstanding	1,730	1,942	4,266	4,337
Other liabilities	<u>151</u>	<u>159</u>	<u>183</u>	<u>576</u>
Total liabilities	1,881	2,101	4,449	4,913
Net assets				
Invested in capital assets, net of related debt	3,710	2,149	8,370	8,267
Restricted	894	1,931	-	-
Unrestricted	<u>1,172</u>	<u>931</u>	<u>4,311</u>	<u>4,711</u>
Total net assets	<u>\$ 5,776</u>	<u>\$ 5,011</u>	<u>\$ 12,681</u>	<u>\$ 12,978</u>

TOWNSHIP OF SPRING LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows the changes of the net assets during the current year as compared to the prior year, under the modified accrual basis of accounting:

(dollars presented in thousands)

	Governmental Funds		Enterprise Funds	
	2007	2006	2007	2006
Revenue				
Taxes	\$ 1,110	\$ 1,028	\$ -	\$ -
Special assessments	108	102	-	-
Licenses and permits	224	238	-	-
Federal grants	361	-	-	-
State shared revenue	729	737	-	-
Charges for services	596	619	2,451	2,828
Interest	94	102	187	168
Other	73	101	-	-
Total revenue	3,295	2,928	2,638	2,996
Program expenses				
General government	875	940	-	-
Public safety	652	576	-	-
Public works	217	223	-	-
Community and economic development	270	224	-	-
Recreation and cultural	168	160	-	-
Capital outlay	1,640	844	-	-
Debt service	269	261	-	-
Sewer system	-	-	784	810
Water system	-	-	1,178	1,144
Depreciation	-	-	851	737
Interest expense	-	-	123	276
Total expenses	4,091	3,229	2,936	2,967
Excess (deficiency)	\$ (796)	\$ (301)	\$ (298)	\$ 29

TOWNSHIP OF SPRING LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows, in a condensed format, the changes in net assets during the current year as compared to the prior year as required by GASB 34 stated under the full accrual basis of accounting.

(dollars presented in thousands)

	Governmental Activities		Business-Type Activities	
	2007	2006	2007	2006
Revenues				
Program revenues				
Charges for services	\$ 833	\$ 851	\$ 2,451	\$ 2,828
Operating grants and contributions	17	-	-	-
Capital grants and contributions	361	-	-	-
General revenues				
Property taxes	1,110	1,028	-	-
State shared revenues	721	737	-	-
Unrestricted investment earnings	94	102	187	168
Miscellaneous	159	212	-	-
Total revenues	3,295	2,928	2,638	2,996
Expenses				
General government	916	982	-	-
Public safety	718	642	-	-
Public works	217	223	-	-
Community and economic development	270	224	-	-
Recreation and cultural	352	272	-	-
Interest on long-term debt	57	54	-	-
Sewer system	-	-	1,154	1,100
Water system	-	-	1,782	1,867
Total expenses	2,530	2,397	2,936	2,967
Change in net assets	\$ 765	\$ 531	\$ (298)	\$ 29

The Township's Funds

Our analysis of the Township's major funds begins on page 10, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. Major funds for the fiscal year ended March 31, 2007 include the General Fund and the Bike Path Capital Projects Fund.

The General fund pays for most of the Township's governmental services. The primary services include fire services and administrative services related to general operations that support the primary services. The General Fund is funded primarily by property taxes and state shared revenues.

TOWNSHIP OF SPRING LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

General Fund Budgetary Highlights

As shown in the required supplemental information, the Township budgeted an increase of \$70,733 in the original budget and a decrease of \$33,071 in the amended budget. Actual operating results ended up as an increase of \$265,751.

The original budget was amended to reflect additional projected revenues of \$37,550 and additional anticipated expenditures of \$141,354.

The actual results ended the fiscal year within \$298,822 of the amended budget.

Capital Assets and Debt Administration

During the year ended March 31, 2007, the total capital assets of the Township increased by \$2,561,964. Additional detail relating to the asset additions follows:

The Sewer Utility System capital assets increased by \$125,743, which was all financed internally.

The Water Utility System capital assets increased by \$796,086, of which \$356,149 was financed internally and \$439,937 was financed with a bond issue.

Governmental Fund capital assets increased by \$1,640,135 which was primarily funded with Bond Issue proceeds for Bike Paths \$(1,146,081), and the balance of \$494,054 was financed with a Federal grant for \$360,531.

During the year ended March 31, 2007, the total debt obligations of the Township increased by additional borrowings of \$439,937 and decreased by principal payments of \$683,386. Total debt obligations at March 31, 2007, amounted to \$5,995,723.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Finance Director's office.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWNSHIP OF SPRING LAKE, MICHIGAN

**STATEMENT OF NET ASSETS
MARCH 31, 2007**

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business</u>	
	<u>Activities</u>	<u>Type</u>	
		<u>Activities</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 1,987,998	\$ 3,246,063	\$ 5,234,061
Receivables, net	205,248	585,481	790,729
Receivables, long-term portion	-	327,810	327,810
Prepaid and other assets	23,380	335,143	358,523
Capital assets - net	<u>5,440,216</u>	<u>12,635,255</u>	<u>18,075,471</u>
Total assets	7,656,842	17,129,752	24,786,594
LIABILITIES			
Accounts payable	116,228	140,057	256,285
Accrued and other liabilities	34,767	43,278	78,045
Debt obligations:			
Due within one year	195,000	475,578	670,578
Due in more than one year	<u>1,535,000</u>	<u>3,790,145</u>	<u>5,325,145</u>
Total liabilities	<u>1,880,995</u>	<u>4,449,058</u>	<u>6,330,053</u>
NET ASSETS			
Invested in capital assets, net of related debt	3,710,216	8,369,532	12,079,748
Restricted for:			
Capital projects	139,900	-	139,900
Bike path improvements	396,672	-	396,672
Street lighting	74,998	-	74,998
Debt service	10	-	10
Cemetery endowments	282,015	-	282,015
Unrestricted	<u>1,172,036</u>	<u>4,311,162</u>	<u>5,483,198</u>
Total net assets	<u>\$ 5,775,847</u>	<u>\$ 12,680,694</u>	<u>\$18,456,541</u>

See accompanying notes to financial statements

TOWNSHIP OF SPRING LAKE, MICHIGAN

**STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2007**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government				
Governmental activities:				
General government	\$ 915,943	\$ 534,697	\$ -	\$ -
Public safety	717,948	235,644	-	-
Public works	217,544	-	7,432	-
Community and economic development	269,989	62,478	-	-
Recreation and cultural	351,841	-	9,250	360,531
Interest on long-term debt	<u>56,955</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	2,530,220	832,819	16,682	360,531
Business-type activities:				
Sanitary sewer	1,154,179	839,592	-	-
Water	<u>1,781,608</u>	<u>1,611,097</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>2,935,787</u>	<u>2,450,689</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 5,466,007</u>	<u>\$ 3,283,508</u>	<u>\$ 16,682</u>	<u>\$ 360,531</u>

General revenues:
 Property taxes
 State shared revenues
 Unrestricted investment earnings
 Miscellaneous

Total general revenues

CHANGE IN NET ASSETS

NET ASSETS - BEGINNING OF YEAR

NET ASSETS - END OF YEAR

See accompanying notes to financial statements

Net (Expense) Revenue and Changes in Net Assets

Primary Government

<u>Governmental</u> <u>Activities</u>	<u>Business</u> <u>Type</u> <u>Activities</u>	<u>Total</u>
\$ (381,246)	\$ -	\$ (381,246)
(482,304)	-	(482,304)
(210,112)	-	(210,112)
(207,511)	-	(207,511)
17,940	-	17,940
<u>(56,955)</u>	<u>-</u>	<u>(56,955)</u>
(1,320,188)	-	(1,320,188)
-	(314,587)	(314,587)
<u>-</u>	<u>(170,511)</u>	<u>(170,511)</u>
-	(485,098)	(485,098)
(1,320,188)	(485,098)	(1,805,286)
1,110,433	-	1,110,433
721,449	-	721,449
93,636	187,447	281,083
<u>159,381</u>	<u>-</u>	<u>159,381</u>
<u>2,084,899</u>	<u>187,447</u>	<u>2,272,346</u>
764,711	(297,651)	467,060
<u>5,011,136</u>	<u>12,978,345</u>	<u>17,989,481</u>
<u>\$ 5,775,847</u>	<u>\$ 12,680,694</u>	<u>\$18,456,541</u>

FUND FINANCIAL STATEMENTS

TOWNSHIP OF SPRING LAKE, MICHIGAN

**GOVERNMENTAL FUNDS
BALANCE SHEET
MARCH 31, 2007**

	<u>General Fund</u>	<u>Bike Path Capital Projects Fund</u>
ASSETS		
Cash and cash equivalents	\$ 894,124	\$ 176,705
Investments	62,976	-
Accounts receivable	9,173	-
Due from other governmental units	168,254	-
Prepaid expenditures	<u>21,700</u>	<u>-</u>
Total assets	<u>\$1,156,227</u>	<u>\$ 176,705</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 60,333	\$ 36,805
Accrued liabilities	31,424	-
Due to other governmental units	<u>2,550</u>	<u>-</u>
Total liabilities	94,307	36,805
Fund balances		
Reserved for:		
Capital projects	-	139,900
Bike path improvements	-	-
Street lighting	-	-
Debt service	-	-
Cemetery endowments	-	-
Unreserved, undesignated	<u>1,061,920</u>	<u>-</u>
Total fund balances	<u>1,061,920</u>	<u>139,900</u>
Total liabilities and fund balances	<u>\$1,156,227</u>	<u>\$ 176,705</u>

See accompanying notes to financial statements

Other Governmental Funds	Total Governmental Funds
\$ 573,018	\$ 1,643,847
281,175	344,151
56	9,229
27,765	196,019
<u>1,680</u>	<u>23,380</u>
<u>\$ 883,694</u>	<u>\$ 2,216,626</u>

\$ 19,090	\$ 116,228
793	32,217
<u>-</u>	<u>2,550</u>
19,883	150,995

-	139,900
396,672	396,672
74,998	74,998
10	10
282,015	282,015
<u>110,116</u>	<u>1,172,036</u>
<u>863,811</u>	<u>2,065,631</u>
<u>\$ 883,694</u>	<u>\$ 2,216,626</u>

TOWNSHIP OF SPRING LAKE, MICHIGAN

GOVERNMENTAL FUNDS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
MARCH 31, 2007

Total governmental fund balances \$ 2,065,631

Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities
are not financial resources and therefore are
not reported in the funds.

Governmental capital assets	\$ 8,643,681	
Less accumulated depreciation	<u>(3,203,465)</u>	5,440,216

Certain liabilities are not due and payable in
the current period and therefore are not
reported in the funds.

Bonds payable	<u>(1,730,000)</u>
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Net assets of governmental activities	<u><u>\$ 5,775,847</u></u>
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See accompanying notes to financial statements

**TOWNSHIP OF SPRING LAKE, MICHIGAN
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
YEAR ENDED MARCH 31, 2007**

	General Fund	Bike Path Capital Projects Fund
REVENUES		
Taxes	\$ 804,764	\$ -
Special assessments	-	-
Licenses and permits	5,111	-
Federal revenue	360,531	-
State shared revenue	728,882	-
Charges for services	596,361	-
Interest	40,755	18,551
Other	<u>63,136</u>	<u>-</u>
Total revenues	2,599,540	18,551
EXPENDITURES		
General government	874,595	-
Public safety	346,708	-
Public works	102,158	-
Community and economic development	269,989	-
Recreation and cultural	168,555	-
Capital outlay	494,054	1,146,081
Debt service		
Principal	22,000	-
Interest	<u>1,730</u>	<u>-</u>
Total expenditures	<u>2,279,789</u>	<u>1,146,081</u>
Excess (deficiency) of revenues over expenditures	319,751	(1,127,530)
OTHER FINANCING SOURCES (USES)		
Operating transfers in	-	-
Operating transfers out	<u>(54,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(54,000)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures	265,751	(1,127,530)
FUND BALANCE - Beginning of year	<u>796,169</u>	<u>1,267,430</u>
FUND BALANCE - End of year	<u><u>\$ 1,061,920</u></u>	<u><u>\$ 139,900</u></u>

See accompanying notes to financial statements

Other Governmental Funds	Total Governmental Funds
\$ 305,669	\$ 1,110,433
108,407	108,407
219,254	224,365
-	360,531
-	728,882
-	596,361
34,330	93,636
<u>9,180</u>	<u>72,316</u>
676,840	3,294,931
-	874,595
304,840	651,548
115,386	217,544
-	269,989
-	168,555
-	1,640,135
190,000	212,000
<u>55,225</u>	<u>56,955</u>
<u>665,451</u>	<u>4,091,321</u>
11,389	(796,390)
299,039	299,039
<u>(245,039)</u>	<u>(299,039)</u>
<u>54,000</u>	<u>-</u>
65,389	(796,390)
<u>798,422</u>	<u>2,862,021</u>
<u>\$ 863,811</u>	<u>\$ 2,065,631</u>

TOWNSHIP OF SPRING LAKE, MICHIGAN

**GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2007**

Net change in fund balances - total governmental funds \$ (796,390)

Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlays as expenditures.
However, in the statement of activities, the cost of those
assets is depreciated over their estimated useful lives.

Expenditures for capital assets	1,640,135
Depreciation expense	(291,034)

Loan proceeds provide current financial resources to
governmental funds in the period issued, but issuing debt
increases long-term liabilities in the statement of net
assets. Repayment of loan principal is an expenditure in
the governmental funds, but the repayment reduces long-
term liabilities in the statement of assets.

Proceeds from debt obligations	-
Principal payments on debt obligations	<u>212,000</u>

Change in net assets of governmental activities	<u>\$ 764,711</u>
---	-----------------------

See accompanying notes to financial statements

TOWNSHIP OF SPRING LAKE, MICHIGAN
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
MARCH 31, 2007

	Sewage Disposal System Fund	Water Supply System Fund	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 307,638	\$ 146,890	\$ 454,528
Investments	1,229,217	1,562,318	2,791,535
Special assessments	53,102	42,952	96,054
Accounts receivable	177,506	291,123	468,629
Interest receivable	7,381	13,417	20,798
Prepaid and other assets	<u>9,895</u>	<u>226,891</u>	<u>236,786</u>
Total current assets	1,784,739	2,283,591	4,068,330
NONCURRENT ASSETS			
Special assessments	168,876	158,934	327,810
Deferred bond costs	-	98,357	98,357
Capital assets, net of depreciation	<u>6,061,855</u>	<u>6,573,400</u>	<u>12,635,255</u>
Total noncurrent assets	<u>6,230,731</u>	<u>6,830,691</u>	<u>13,061,422</u>
Total assets	8,015,470	9,114,282	17,129,752
LIABILITIES			
CURRENT LIABILITIES			
Current portion of long-term debt	40,000	435,578	475,578
Accounts payable	72,003	68,054	140,057
Accrued liabilities	<u>6,402</u>	<u>36,876</u>	<u>43,278</u>
Total current liabilities	118,405	540,508	658,913
NONCURRENT LIABILITIES			
Long-term debt, net of current portion	<u>620,000</u>	<u>3,170,145</u>	<u>3,790,145</u>
Total liabilities	<u>738,405</u>	<u>3,710,653</u>	<u>4,449,058</u>
NET ASSETS			
Invested in capital assets, net of related debt	5,401,855	2,967,677	8,369,532
Unrestricted	<u>1,875,210</u>	<u>2,435,952</u>	<u>4,311,162</u>
Total net assets	<u><u>\$7,277,065</u></u>	<u><u>\$5,403,629</u></u>	<u><u>\$12,680,694</u></u>

See accompanying notes to financial statements

TOWNSHIP OF SPRING LAKE, MICHIGAN
PROPRIETARY FUNDS
STATEMENT OF REVENUE, EXPENSES,
AND CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2007

	Sewage Disposal System Fund	Water Supply System Fund	Totals
OPERATING REVENUE			
Charges for services	\$ 537,306	\$1,208,299	\$ 1,745,605
Readiness to serve	-	117,737	117,737
Debt retirement	139,078	204,332	343,410
Special assessments	32,902	16,342	49,244
Hydrant rental	-	3,800	3,800
Trunkage charges	76,175	7,769	83,944
Reimbursements	45,222	17,394	62,616
Other	<u>8,909</u>	<u>35,424</u>	<u>44,333</u>
Total operating revenue	839,592	1,611,097	2,450,689
OPERATING EXPENSES			
Salaries	94,298	171,131	265,429
Fringe benefits	44,833	84,451	129,284
Operating supplies	13,131	55,035	68,166
Sewage treatment	395,725	-	395,725
Water purchases	-	631,709	631,709
Administration fees	93,605	105,677	199,282
Professional services	31,856	46,467	78,323
Repairs and maintenance	58,618	47,014	105,632
Insurance	8,362	9,091	17,453
Utilities	29,683	3,941	33,624
Miscellaneous	14,237	22,792	37,029
Depreciation	<u>343,258</u>	<u>507,561</u>	<u>850,819</u>
Total operating expenses	<u>1,127,606</u>	<u>1,684,869</u>	<u>2,812,475</u>
OPERATING INCOME (LOSS)	(288,014)	(73,772)	(361,786)
NONOPERATING REVENUE (EXPENSE)			
Interest income	90,887	96,560	187,447
Interest expense	<u>(26,573)</u>	<u>(96,739)</u>	<u>(123,312)</u>
Net nonoperating revenue (expense)	<u>64,314</u>	<u>(179)</u>	<u>64,135</u>
CHANGE IN NET ASSETS	(223,700)	(73,951)	(297,651)
NET ASSETS - BEGINNING OF YEAR	<u>7,500,765</u>	<u>5,477,580</u>	<u>12,978,345</u>
NET ASSETS - END OF YEAR	<u>\$7,277,065</u>	<u>\$5,403,629</u>	<u>\$12,680,694</u>

See accompanying notes to financial statements

TOWNSHIP OF SPRING LAKE, MICHIGAN
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2007

	Sewage Disposal System Fund	Water Supply System Fund	Total
Cash flows from operating activities			
Receipts from customers	\$ 899,110	\$1,552,838	\$2,451,948
Payments to suppliers	(691,726)	(1,182,552)	(1,874,278)
Payments to employees	(94,298)	(171,131)	(265,429)
Benefit payments	<u>(44,833)</u>	<u>(84,451)</u>	<u>(129,284)</u>
Net cash provided (used) by operating activities	68,253	114,704	182,957
Cash flows from capital and related financing activities			
Principal paid on debt	(35,000)	(436,386)	(471,386)
Interest paid on debt	(33,873)	(157,328)	(191,201)
Acquisition of capital assets	<u>(125,743)</u>	<u>(356,149)</u>	<u>(481,892)</u>
Net cash provided (used) by capital and related financing activities	(194,616)	(949,863)	(1,144,479)
Cash flows from investing activities			
Interest received	84,763	85,572	170,335
Sale or (purchase) of investments	<u>(419,029)</u>	<u>742,165</u>	<u>323,136</u>
Net cash provided (used) by investing activities	<u>(334,266)</u>	<u>827,737</u>	<u>493,471</u>
Net increase (decrease) in cash	(460,629)	(7,422)	(468,051)
Cash and Cash Equivalents - Beginning of Year	<u>768,267</u>	<u>154,312</u>	<u>922,579</u>
Cash and Cash Equivalents - End of Year	<u>\$ 307,638</u>	<u>\$ 146,890</u>	<u>\$ 454,528</u>

See accompanying notes to financial statements

TOWNSHIP OF SPRING LAKE, MICHIGAN
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS - Continued
YEAR ENDED MARCH 31, 2007

	Sewage Disposal System <u>Fund</u>	Water Supply System <u>Fund</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	\$ (288,014)	\$ (73,772)	\$ (361,786)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities			
Depreciation	343,258	507,561	850,819
(Increase) decrease in:			
Accounts receivable	12,166	(49,972)	(37,806)
Special assessments receivable	47,352	(8,287)	39,065
Prepaid and other assets	(1,205)	(965)	(2,170)
Increase (decrease) in:			
Accounts payable	(45,810)	(260,800)	(306,610)
Accrued liabilities	506	939	1,445
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by (used for) operating activities	<u>\$ 68,253</u>	<u>\$ 114,704</u>	<u>\$ 182,957</u>

See accompanying notes to financial statements

TOWNSHIP OF SPRING LAKE, MICHIGAN
FIDUCIARY FUNDS
BALANCE SHEET
MARCH 31, 2007

	<u>Agency Funds</u>
ASSETS	
Cash	<u>\$ 177,312</u>
LIABILITIES	
Undistributed tax collections	<u>\$ 177,312</u>

See accompanying notes to financial statements

TOWNSHIP OF SPRING LAKE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Spring Lake conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to townships. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB 20 and 34 provide the Township the option of electing to apply FASB pronouncements issued after November 30, 1989. The Township has elected not to apply those pronouncements. The more significant accounting policies establishing GAAP and used by the Township are discussed below.

Reporting Entity

Spring Lake Township is located in Ottawa County, Michigan, and provides services to approximately 13,140 residents in many areas including public safety, highways and streets, general administrative services, fire protection, public utilities, and community enrichment and development. The Township is a general law township, and is governed by a 7-member board elected by the citizens of Spring Lake Township. The board consists of the supervisor, clerk, treasurer, and four trustees whom reside in the community.

As required by generally accepted accounting principles, GASB 14, these financial statements present the Township (the primary government) and its component units, entities for which the Township is considered to be financially accountable. There are no component units to be included in these financial statements.

TOWNSHIP OF SPRING LAKE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Accounting - Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the Township as a whole. They include all funds of the reporting entity except for fiduciary funds. These statements distinguish between activities that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in preparation of the proprietary fund financial statements but differs from the manner in which the governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the Township and for each governmental and component unit program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Some functions, such as administrative and financial services include expenses that are, in essence, indirect expenses of other functions. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the Township.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

TOWNSHIP OF SPRING LAKE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Accounting - Fund Financial Statements - Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. A fund is considered major if it is the primary operating fund of the Township or meets the following criteria:

- * Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- * Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

The Township reports the following major funds:

General Fund - The general fund is the general operating fund of the Township. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state shared revenues and charges for services.

Bike Path Capital Projects Fund - To account for the proceeds from the sale of General Obligation Limited Tax Bonds which will be used to finance the acquisition, construction and reconstruction of bicycle paths within the Township and the acquisition of interest in land.

Enterprise Funds

Water Supply System Fund - To account for user charges and for operating expenses and debt service of the Township's water system.

TOWNSHIP OF SPRING LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Sewage Disposal System Fund - To account for user charges and for operating expenses and debt service of the Township's sewer system.

The following is a description of three major categories and various fund types within those categories into which the funds are grouped:

Governmental Fund - All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become susceptible to accrual (i.e., when they become both measurable and available). Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenue Recognition - "Measurable" means the amount of the transaction can be determined and "available" means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Township considers property taxes, special assessments, licenses, interest revenue and charges for sales and services as susceptible to accrual if the amount was due on or before fiscal year end and collection was within one year after year end except for property taxes for which collection must be within two months of year end. Reimbursements due for state and federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made. All other revenue is recognized as payments are received.

Expenditure Recognition - The measurement focus of governmental accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocation of costs, such as depreciation and amortization, are not recognized in the governmental funds.

TOWNSHIP OF SPRING LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The following is a description of the governmental fund types of the Township:

General Fund - The general fund is the general operating fund of the Township. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state shared revenues and charges for services.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Proprietary Funds - All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds. Unbilled utility receivables are recorded at year end.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Township's enterprise funds are charges to customers for sales and services. The water and sewer funds also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses include the cost of sales and services, administrative costs and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

TOWNSHIP OF SPRING LAKE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The following is a description of the proprietary fund types of the Township:

Enterprise Funds - Enterprise funds report operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

Fiduciary Funds (Not Included in Government-Wide Financial Statements) - Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Township programs.

Agency Funds - Agency funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Budgets and Budgetary Accounting - Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are legally adopted for the general and special revenue funds. The Township adopts its budget in accordance with Public Act 621, the Uniform Budgeting and Accounting Act, which mandates an annual budget process and an annual appropriation act to implement the budget. The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- * On or about March 31, the Township Board submits to the general public a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- * Public hearings are conducted to obtain taxpayer comments.
- * On or about April 1, the budget is legally enacted through passage of resolution.
- * The Township Board is authorized to transfer budgeted amounts within departments.

TOWNSHIP OF SPRING LAKE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- * The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles.
- * Appropriations for the general fund lapse at the end of the fiscal year.
- * Budgeted amounts are as originally adopted or as amended by the Board of Trustees.

Deposits and Investments - Statutes authorize the primary government and component units to invest in the following:

- * In bonds, securities and other obligations of the United States or agency or instrumentality of the United States.
- * In certificates of deposit, savings accounts, deposit accounts or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation, a saving and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration.
- * In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- * In United States government or federal agency obligation repurchase agreements.
- * In banker's acceptances of United States banks.
- * In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- * In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

TOWNSHIP OF SPRING LAKE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Receivables and Payables - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." All other outstanding balances between funds are reported as "due to/due from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets and Depreciation - Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost of purchase or construction. Contributed assets are recorded at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are also capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

	<u>Depreciable Life-Years</u>
Land improvements	15-40
Streets and bike paths	15-20
Utility systems	30-50
Buildings and improvements	15-50
Machinery and equipment	5-20
Vehicles	2-7
Furniture and other	3-7

TOWNSHIP OF SPRING LAKE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Long-Term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Property Taxes - The Township's property taxes are levied as an enforceable lien on property as of December 1 and are due without penalty on or before February 14. These tax bills include the Township's own property taxes and a portion of the taxes billed on behalf of other governments and school districts within the Township's boundaries. Real property taxes not collected as of March 1 are turned over to Ottawa County for collection. The County advances the Township 100% for delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the Township's treasurer. The Township's property taxes levied on December 1 provide the revenue for the current fiscal year.

Taxes collected and remitted to other governments and school districts are accounted for in the Tax Collection Fund.

The assessed and state equalized taxable value of real and personal property located in the Township totaled \$617,831,189. The Township's general operating levy for the year was based on a millage rate of .9655.

TOWNSHIP OF SPRING LAKE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Compensated Absences - Township employees earn vacation and sick leave in varying amounts based on length of service. Vacation time of up to one week can be carried over, but unused sick leave does not accumulate past March 31 of each fiscal year. No portion of unused sick leave is paid to employees at the time of termination or retirement. It is the Township's policy to recognize the cost of sick leave at the time payments are made.

Fund Equity - In the fund statements, reservations of fund balance represent amounts that are not available for appropriation or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

The Township's deposits and investments are included on the balance sheet under the following classifications:

	<u>Primary Government</u>
Statement of Net Assets:	
Cash and investments	\$ 5,234,061
Statement of Fiduciary Net Assets:	
Cash	<u>177,312</u>
Total	<u><u>\$ 5,411,373</u></u>

TOWNSHIP OF SPRING LAKE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007**

NOTE 2 - DEPOSITS AND INVESTMENTS- Continued

Cash - Statutes require that certificates of deposit, savings accounts, deposit accounts, and depository receipts are made with banks doing and having a place of business in the state of Michigan that are also members of a federal or national insurance corporation.

At March 31, 2007, the book balance was \$1,077,127 and the bank balance (without recognition of outstanding checks or deposits in transit) was \$1,241,544, of which \$343,902 was insured by federal depository insurance and \$897,642 was uninsured.

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution it deposits Township Funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments - Statutes require and Board resolutions authorize the Township to invest in obligations of the U.S. Treasury, agencies and instrumentalities, commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services, bankers' acceptances of U.S. banks, U.S. government or federal agency obligation repurchase agreements and mutual funds composed of the types of investment vehicles previously named.

The Township has \$362,167 invested in Drefus Government Cash Management Fund. The Township has \$2,408,675 invested in JP Morgan Chase Michigan Governmental Mmf. All funds in these two accounts are invested in accordance with applicable state of Michigan statutes. The Township has investments in U.S. Agencies of \$1,563,404. The U.S. Agencies are classified as Category 1 investments, which include investments that are insured, registered, or for which the securities are held by the Township or its agent in the Township's name.

NOTE 3 - RECEIVABLES

Receivables in the governmental activities are 96 percent due from other governments and 4 percent accounts receivable. Business-type activities receivables are 46 percent special assessments receivable, 52 percent due from customers and 2 percent accrued interest receivable.

Accounts receivable in the governmental activities and the business-type activities are reported net of an allowance for uncollectible accounts of -0-.

TOWNSHIP OF SPRING LAKE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007**

NOTE 4 - INTERFUND TRANSFERS

Transfers consisted of the following for the year ended March 31, 2007:

<u>Fund</u>	<u>Transfers Out</u>	<u>Fund</u>	<u>Transfers In</u>
General	\$ 54,000	Equipment Sinking	\$ 54,000
Bike Path Millage	<u>245,039</u>	Debt Service	<u>245,039</u>
Total Primary Government	<u>\$ 299,039</u>		<u>\$ 299,039</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

TOWNSHIP OF SPRING LAKE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007**

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended March 31, 2007, was as follows:

	Balance April 1, 2006	Additions	Adjustments and Disposals	Balance March 31, 2007
<u>Primary Government</u>				
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 693,481	\$ -	\$ -	\$ 693,481
Construction in progress	<u>1,141,186</u>	<u>1,146,081</u>	<u>2,287,267</u>	<u>-</u>
Subtotal	1,834,667	1,146,081	2,287,267	693,481
Capital assets, being depreciated:				
Land improvements	2,875,811	2,781,321	-	5,657,132
Buildings and improvements	1,061,970	-	-	1,061,970
Machinery and equipment	<u>1,231,098</u>	<u>-</u>	<u>-</u>	<u>1,231,098</u>
Subtotal	5,168,879	2,781,321	-	7,950,200
Accumulated depreciation				
Land improvements	1,737,584	213,323	-	1,950,907
Buildings and improvements	669,929	27,657	-	697,586
Machinery and equipment	<u>504,918</u>	<u>50,054</u>	<u>-</u>	<u>554,972</u>
Subtotal	<u>2,912,431</u>	<u>291,034</u>	<u>-</u>	<u>3,203,465</u>
Net capital assets being depreciated	<u>2,256,448</u>			<u>4,746,735</u>
Net capital assets	<u>\$ 4,091,115</u>			<u>\$ 5,440,216</u>

TOWNSHIP OF SPRING LAKE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007**

NOTE 5 - CAPITAL ASSETS - Continued

	Balance April 1, 2006	<u>Additions</u>	Disposals/ Transfers	Balance March 31, 2007
Business-Type activities				
Capital assets, not being depreciated:				
Land	\$ 5,900	\$ -	\$ -	\$ 5,900
Capital assets, being depreciated:				
Buildings	201,082	47,729	-	248,811
Sewage disposal system	9,573,166	109,037	-	9,682,203
Water supply system	11,015,060	439,940	-	11,454,999
Machinery and equipment	<u>1,207,345</u>	<u>325,123</u>	<u>-</u>	<u>1,532,468</u>
Subtotal	21,996,653	921,829	-	22,918,481
Accumulated depreciation				
Buildings	44,215	7,497	-	51,712
Sewage disposal system	3,384,720	336,779	-	3,721,499
Water supply system	5,403,597	381,511	-	5,785,108
Machinery and equipment	<u>605,777</u>	<u>125,030</u>	<u>-</u>	<u>730,807</u>
Subtotal	<u>9,438,309</u>	<u>850,819</u>	<u>-</u>	<u>10,289,126</u>
Net capital assets being depreciated	<u>12,558,344</u>			<u>12,629,355</u>
Net capital assets	<u>\$12,564,244</u>			<u>\$12,635,255</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Business-type activities:

General government	\$ 41,348	Sanitary Sewer	\$ 343,258
Public safety	66,400	Water	<u>507,561</u>
Recreation and Cultural	<u>183,286</u>		
Total	<u>\$ 291,034</u>	Total	<u>\$ 850,819</u>

TOWNSHIP OF SPRING LAKE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007**

NOTE 6 - LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended March 31, 2007:

	Balance April 1, 2006	Additions	Reductions	Balance March 31, 2007	Current Portion
Governmental Activities					
General obligation bonds	\$ 1,920,000	\$ -	\$ 190,000	\$ 1,730,000	\$ 195,000
Land contracts	<u>22,000</u>	<u>-</u>	<u>22,000</u>	<u>-</u>	<u>-</u>
	1,942,000	-	212,000	1,730,000	195,000
Business-Type Activities					
Revenue bonds	<u>4,297,172</u>	<u>439,937</u>	<u>471,386</u>	<u>4,265,723</u>	<u>475,578</u>
Total Primary Government Long-Term Debt	<u>\$ 6,239,172</u>	<u>\$ 439,937</u>	<u>\$ 683,386</u>	<u>\$ 5,995,723</u>	<u>\$ 670,578</u>

Long-term debt payables at March 31, 2007, consisted of the following individual issues:

Governmental Activities

General obligation Limited Tax Bonds are due in annual principal installments of \$185,000 to \$240,000 through June 1, 2014, with interest at 2.5% to 3.375% per annum

\$ 1,730,000

TOWNSHIP OF SPRING LAKE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007**

NOTE 6 - LONG-TERM DEBT - Continued

Business-Type Activities

Sewage Disposal System Bonds are due in annual principal installments of \$30,000 to \$75,000 with the final payment due March 1, 2019, with interest at 4.70% to 5.05% per annum	\$ 660,000
Water Supply System Refunding Bonds (second refunding) are due in annual principal installments of \$45,738 to \$63,525 through January 1, 2015, with interest at 4.70% to 5.875% per annum	500,578
Water Supply System Refunding Bonds are due in annual principal installments of \$147,097 to \$272,799 through October 1, 2010, with interest at 4.15% to 4.7% per annum	1,032,358
Water Supply System 2005 Lake Michigan Intake No. 2 Improvement Bonds are due in annual principal installments of \$22,215 to \$48,882 through May 1, 2020, with interest at 3.05% to 4.25% per annum	439,937
Water Supply System Refunding Bonds are due in annual principal installments of \$26,708 to \$133,539 through May 1, 2021, with interest at 4.625% to 5.2% per annum	1,132,850
Water Supply System Refunding Bonds are due in annual principal installments of \$55,000 to \$65,000 through January 1, 2015, with interest at 2.80% to 4.55% per annum	<u>500,000</u>
Total Business-Type Activities Long-Term Liabilities	<u>4,265,723</u>
Total Primary Government Long-Term Debt	<u><u>\$ 5,995,723</u></u>

TOWNSHIP OF SPRING LAKE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007**

NOTE 6 - LONG-TERM DEBT - Continued

Debt Service Requirements

The annual requirements to service all debt outstanding as of March 31, 2007 including both principal and interest, are as follows:

	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 195,000	\$ 49,943	\$ 244,943
2009	200,000	44,512	244,512
2010	205,000	38,687	243,687
2011	210,000	32,442	242,442
2012	220,000	27,600	247,600
2013-2015	<u>700,000</u>	<u>33,628</u>	<u>733,628</u>
Total	<u>\$ 1,730,000</u>	<u>\$ 226,812</u>	<u>\$ 1,956,812</u>

	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 475,578	\$ 196,819	\$ 672,397
2009	494,135	175,170	669,305
2010	503,133	152,696	655,829
2011	502,236	129,354	631,590
2012	267,506	111,575	379,081
2013-2017	1,232,995	661,576	1,894,571
2018-2020	<u>790,140</u>	<u>88,945</u>	<u>879,085</u>
Total	<u>\$ 4,265,723</u>	<u>\$ 1,516,135</u>	<u>\$ 5,781,858</u>

NOTE 7 - JOINT VENTURES

The Township is a member of the Grand haven - Spring Lake Sewer Authority (the Authority). The Township can appoint one member to the joint venture's governing board, which then approves the annual budget. In the current year, the Township paid \$395,725 to the Authority for sewage treatment. The purpose of the Grand Haven - Spring Lake Sewer Authority is to acquire, own, improve, enlarge, extend, and operate a sewage disposal system. The Authority is governed by a Board of Trustees containing seven members.

TOWNSHIP OF SPRING LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

NOTE 7 - JOINT VENTURES - Continued

The participating communities (Cities of Grand Haven and Ferrysburg, Townships of Spring Lake and Grand Haven, Village of Spring Lake, and County of Ottawa) pay a set rate to the Authority to process waste. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements can be obtained at Grand Haven City Hall (519 Washington Street).

The Township is also a member of the Northwest Ottawa Water Treatment Plant (NOWS). The Township appoints one member to the joint venture's governing board, which then approves the annual budget. In the current year, the Township paid \$631,709 to the plant to purchase water. The purpose of NOWS is to acquire, construct, finance, operate, and maintain a water production facility. The plant is governed by an administrative committee composed of one representative from each of the participating communities (Cities of Grand Haven and Ferrysburg, Townships of Grand Haven and Spring Lake, Village of Spring Lake, and County of Ottawa). These participating communities pay for water at a rate that is estimated to cover operation, maintenance, replacement, and debt service. The Township is unaware of any circumstances that would cause additional benefit or burden to participating governments in the near future. Complete financial statements can be obtained at Grand Haven City Hall (519 Washington Street).

NOTE 8 - CONTINGENT LIABILITIES

As disclosed in Note 7, the Township is a member of both the Grand Haven - Spring Lake Sewer Authority and the Northwest Ottawa Water Treatment Plant. The Township along with the other participating municipalities, has pledged their full faith and credit for repayment of the outstanding debt of these two governmental entities. For all debt, the amount the Township is required to contribute to these entities for repayment of the debt is not a fixed amount, but is based on the volume of sewage treated and water purchased and is included in the rate charged by these entities. The Township is still liable for the share of the debts even if they do not collect enough fees in the future to cover these payments.

TOWNSHIP OF SPRING LAKE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007**

NOTE 9 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for most risks of loss to which it is exposed. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 10 - RETIREMENT PROGRAMS

The Township has a defined contribution pension plan covering qualified employees to which the Township is required to contribute 10% of the employees' gross wages. Participating employees may contribute up to 10% of gross wages. Total contributions by the Township for the year ended March 31, 2007 were \$70,729.

The Township Fire Department has a separate pension plan which covers all participating firefighters. The plan's benefits are based on length of service and also includes pre-retirement death and disability benefits. All required contributions are paid by the Township. Total contributions by the Township for the year ended March 31, 2007 were \$7,363.

NOTE 11 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The annual budget is prepared by the Township management and adopted by the Township Board; subsequent amendments are approved by the Township Board. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with generally accepted accounting principles.

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the Township were adopted on a fund level basis.

During the year ended March 31, 2007, the Township incurred no expenditures in excess of the amounts appropriated at the legal level of budgetary control.

REQUIRED SUPPLEMENTAL INFORMATION

TOWNSHIP OF SPRING LAKE, MICHIGAN
REQUIRED SUPPLEMENTAL INFORMATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED MARCH 31, 2007

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
REVENUES				
Taxes	\$ 743,500	\$ 744,500	\$ 804,764	\$ 60,264
Licenses and permits	5,950	5,950	5,111	(839)
Federal revenue	360,000	360,000	360,531	531
State shared revenues	731,800	732,400	728,882	(3,518)
Charges for services	622,561	622,561	596,361	(26,200)
Interest	6,000	27,000	40,755	13,755
Other	62,700	77,650	63,136	(14,514)
Total revenues	2,532,511	2,570,061	2,599,540	29,479
EXPENDITURES				
General government	1,004,902	996,686	874,595	122,091
Public safety	381,764	392,249	346,708	45,541
Public works	114,600	110,100	102,158	7,942
Community and economic development	305,952	330,940	269,989	60,951
Recreation and cultural	172,020	169,017	168,555	462
Capital outlay	405,000	525,000	494,054	30,946
Debt service				
Principal	22,000	22,000	22,000	-
Interest	1,540	3,140	1,730	1,410
Total expenditures	2,407,778	2,549,132	2,279,789	269,343
Excess of revenues over expenditures	70,733	20,929	319,751	298,822
OTHER FINANCING (USES)				
Operating transfers out	(54,000)	(54,000)	(54,000)	-
Excess of revenues over expenditures and other uses	124,733	(33,071)	265,751	298,822
FUND BALANCE - Beginning of year	796,169	796,169	796,169	-
FUND BALANCE - End of year	<u>\$ 866,902</u>	<u>\$ 763,098</u>	<u>\$ 1,061,920</u>	<u>\$ 298,822</u>

See accompanying notes to financial statements

OTHER SUPPLEMENTAL INFORMATION

TOWNSHIP OF SPRING LAKE, MICHIGAN

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
MARCH 31, 2007**

	Bike Path Millage Fund	Debt Service Fund	Equipment Sinking Fund
ASSETS			
Cash and cash equivalents	\$ 376,408	\$ 10	\$ 75,349
Investments	-	-	-
Accounts receivable	-	-	-
Due from other governmental units	20,264	-	-
Prepaid expenditures	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 396,672</u>	<u>\$ 10</u>	<u>\$ 75,349</u>
 LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	-	-	-
 FUND BALANCES			
Reserved for:			
Bike path improvements	396,672	-	-
Debt service	-	-	-
Street lighting	-	-	-
Cemetery endowments	-	-	-
Unreserved, undesignated	-	-	75,349
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>396,672</u>	<u>10</u>	<u>75,349</u>
Total liabilities and fund balances	<u>\$ 396,672</u>	<u>\$ 10</u>	<u>\$ 75,349</u>

<u>Building Department Fund</u>	<u>Street Lighting Fund</u>	<u>Cemetery Endowment Fund</u>	<u>Combined Totals</u>
\$ 44,631	\$ 76,620	\$ -	\$ 573,018
-	-	281,175	281,175
56	-	-	56
-	6,661	840	27,765
<u>1,680</u>	<u>-</u>	<u>-</u>	<u>1,680</u>
<u>\$ 46,367</u>	<u>\$ 83,281</u>	<u>\$ 282,015</u>	<u>\$ 883,694</u>

\$ 10,807	\$ 8,283	\$ -	\$ 19,090
<u>793</u>	<u>-</u>	<u>-</u>	<u>793</u>
11,600	8,283	-	19,883

-	-	-	396,672
-	-	-	10
-	74,998	-	74,998
-	-	282,015	282,015
<u>34,767</u>	<u>-</u>	<u>-</u>	<u>110,116</u>
<u>34,767</u>	<u>74,998</u>	<u>282,015</u>	<u>863,811</u>
<u>\$ 46,367</u>	<u>\$ 83,281</u>	<u>\$ 282,015</u>	<u>\$ 883,694</u>

TOWNSHIP OF SPRING LAKE, MICHIGAN
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED MARCH 31, 2007

	Bike Path Millage Fund	Debt Service Fund	Equipment Sinking Fund
REVENUES			
Taxes	\$ 305,669	\$ -	\$ -
Special assessments	-	-	-
Licenses and permits	-	-	-
Interest	9,648	3	1,304
Other	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	315,317	3	1,304
EXPENDITURES			
Public safety	-	-	-
Public works	636	-	-
Debt service			
Principal	-	190,000	-
Interest	-	55,225	-
	<hr/>	<hr/>	<hr/>
Total expenditures	636	245,225	-
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	314,681	(245,222)	1,304
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	245,039	54,000
Operating transfers out	(245,039)	-	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(245,039)	245,039	54,000
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenue and other sources over expenditures and other uses	69,642	(183)	55,304
FUND BALANCE - BEGINNING OF YEAR	<hr/> 327,030	<hr/> 193	<hr/> 20,045
FUND BALANCE - END OF YEAR	<u>\$ 396,672</u>	<u>\$ 10</u>	<u>\$ 75,349</u>

<u>Building Department Fund</u>	<u>Street Lighting Fund</u>	<u>Cemetery Endowment Fund</u>	<u>Combined Totals</u>
\$ -	\$ -	\$ -	\$ 305,669
-	108,407	-	108,407
219,254	-	-	219,254
5,750	2,648	14,977	34,330
<u>80</u>	<u>-</u>	<u>9,100</u>	<u>9,180</u>
225,084	111,055	24,077	676,840
304,840	-	-	304,840
-	114,750	-	115,386
-	-	-	190,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>55,225</u>
<u>304,840</u>	<u>114,750</u>	<u>-</u>	<u>665,451</u>
(79,756)	(3,695)	24,077	11,389
-	-	-	299,039
<u>-</u>	<u>-</u>	<u>-</u>	<u>(245,039)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>54,000</u>
(79,756)	(3,695)	24,077	65,389
<u>114,523</u>	<u>78,693</u>	<u>257,938</u>	<u>798,422</u>
<u>\$ 34,767</u>	<u>\$ 74,998</u>	<u>\$ 282,015</u>	<u>\$ 863,811</u>



Norman & Paulsen, P.C.

Certified Public Accountants

127 W. Chicago Road
Sturgis, MI 49091
269.651.3228
Fax 269.651.5146
E-mail
normanpaulsen@charter.net

Other Location:
123 N. Main Street
Three Rivers, MI 49093
269.273.8641
Fax 269.278.8252
E-mail
npnr@npaccounting.com

Board of Trustees
Township of Spring Lake, Michigan

In planning and performing our audit of the financial statements of the Township of Spring Lake, Michigan for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

Utility Billings - Balances from the utilities billing software are not being reconciled to the related accounts receivable control account balances in the Water and Sewer Funds. The account balances in these funds general ledgers should be reconciled to the aged accounts receivable report generated by the billing software on a monthly basis to ensure that all billing and collection transactions are being recorded properly. Care must be taken that the same cutoff date is used for depositing and recording receipts in the general ledgers as is used for posting transactions to the billing program.

Donald L. Paulsen, CPA
Patrick J. Monahan, CPA
Bruce S. A. Gosling, CPA
Michael R. Wilson, CPA
Rick L. Strawser, CPA
Jerrel T. Norman (1941-1982)

Tax Fund Reconciliation - At March 31, 2007, the Township had not reconciled the cash available in the tax collection fund to the amounts owing to the taxing units. The Township should establish procedures to ensure that the proper amounts are paid to the taxing units on a timely basis and that the cash available in the tax collection fund is reconciled to the amounts owed to the various taxing units.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control. We believe that the deficiencies described above are material weaknesses.

This communication is intended solely for the information and use of the Board of Trustees and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

Norman J. Paulson, P.C.

August 31, 2007